

Message Text

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EO 11652: GDS
TAGS: CI, PE, BL, PFOR, PDEV
SUBJECT: PROPOSAL FOR DEVELOPMENT OF CHILE/PERU FRONTIER REGION

A. STATE 016686; B. LIMA 0770

1. SUMMARY: CONCEPT OF MULTINATIONAL REGIONAL DEVELOPMENT OF PERU/CHILE BORDER AREA, INCLUDING BRAZILIAN PARTICIPATION, HAS BEEN CONSIDERED BY GOC BUT HAS NOT CAUGHT GOC INTEREST. REGIONAL DEVELOPMENT SCHEME WOULD HAVE POLITICAL APPEAL FOR GOC, BUT GOC PROBABLY WOULD NOT WISH TO COMMIT SIGNIFICANT RESOURCES TO IT. GOC WOULD BE WILLING TO DISCUSS PROJECT, WHICH COULD INCLUDE USG INVOLVEMENT. WE DOUBT THAT BASIS EXISTS FOR KIND OF REGIONAL DEVELOPMENT PROJECT WHICH WOULD ACHIEVE REDUCTION IN PERU/CHILE TENSIONS. THEREFORE, WE DOUBT USG SHOULD STIMULATE OR SUPPORT AN INITIATIVE ON BASIS THAT OBJECTIVE. END SUMMARY.

2. GOC HAS CONSIDERED IN THE PAST CONCEPT OF A MULTI-NATIONAL REGIONAL DEVELOPMENT OF THE CHILE-PERU BORDER AREA. FONMIN OFFICIALS HAVE DISCUSSED IT INFORMALLY WITH US. IDEA APPARENTLY HAS NOT CAUGHT GOC'S REAL INTEREST, HOWEVER, AND DETAILS HAVE BEEN VAGUE.

3. IN INFORMAL DISCUSSIONS, FONMIN OFFICIALS HAVE SHOWN
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INTEREST IN BRAZILIAN PARTICIPATION IN SCHEME. SUCH PARTI-

CIPATION WOULD BE POLITICALLY ATTRACTIVE TO CHILE, AND FOR THAT REASON WOULD PROBABLY BE REJECTED BY PERU. APPEALS TO US, MOREOVER, THAT ECONOMIC FACTORS WOULD MILITATE AGAINST BRAZILIAN PARTICIPATION. RAIL AND ROAD ROUTES BETWEEN ARICA AND BRAZIL ARE PRIMITIVE AND CROSS NOTABLY INHOSPITABLE TERRAIN. MAJOR DEVELOPMENT WOULD BE NEEDED BEFORE THEY COULD CARRY SIGNIFICANT TRADE. BRAZILIAN PARTICIPATION IN INVESTOR CAPACITY MIGHT, HOWEVER, BE POSSIBLE.

4. GOC HAS MADE REPEATED EFFORTS OVER LAST HALF CENTURY TO STUDY AND DEVELOP ARICA AREA (E.G. AZAPA VALLEY IRRIGATION, INDUSTRIAL SUBSIDIES, FREE PORT STATUS, LOCAL DEVELOPMENT AGENCY). PRIMARY RATIONALE HAS BEEN POLITICAL: TO ATTRACT AND HOLD CHILEANS IN ORDER TO SECURE THIS FORMER PERUVIAN TERRITORY AGAINST ANY EFFORT TO REGAIN IT. CHILE STRONGLY VALUES BORDER AREA, BUT ECONOMICALLY ARICA AREA IS MORE A BURDEN THAN A BENEFIT, SINCE ASIDE FROM ARTIFICIALLY IMPLANTING INDUSTRY IT HAS LITTLE CURRENT VALUE OTHER THAN AS PORT FOR BOLIVIA. AREA IS INHOSPITABLE, WITH ALMOST NO AGRICULTURE IN BARREN DESERT THAT EXTENDS SOUTH FOR HUNDREDS OF MILES. ONLY PROMISING ECONOMIC DEVELOPMENT PLAN WHICH HAS SURFACED IS IRRIGATION OF AZAPA VALLEY WITH WATERS OF LAUCA RIVER (DIVERSION OF THOSE WATERS LED TO DIPLOMATIC BREAK WITH BOLIVIA IN 1962). SIGNIFICANT MINERAL FINDS WOULD HELP, BUT SO FAR CHILE'S IMPORTANT MINING AREAS ARE FAR SOUTH OF ARICA.

5. A REGIONAL DEVELOPMENT PROJECT COULD HAVE SOME POLITICAL APPEAL FOR GOC. FRONTIER IS FAR FROM HEART OF CHILE, AND AREA BETWEEN HAS SMALL POPULATION AND IS LITTLE DEVELOPED. CHILE'S MILITARY GOVERNMENT IS HEADED BY A GENERAL WHO PRIDES HIMSELF ON BEING A GEOPOLITICIAN, AND HE MUST BELIEVE THAT A VACUUM INSIDE CHILE CANNOT BUT ATTRACT AN HISTORICAL ENEMY. THUS THIS GOVERNMENT IN PARTICULAR WOULD WANT ARICA AREA HELD FIRMLY BY PRESENCE OF GREATER NUMBER OF MORE PROSPEROUS CHILEANS. GIVEN POOR BASE FOR AREA'S ECONOMIC DEVELOPMENT, HOWEVER, AND CHILE'S CURRENT ECONOMIC DIFFICULTIES, SEEMS TO US GOC WOULD HAVE TROUBLE INVESTING MUCH IN PROJECT ITSELF. BUT WE DOUBT IT WOULD HAVE PROBLEM WITH FEASIBILITY STUDY, OR WITH SUBSEQUENT ATTRACTION AND INVESTMENT OF OTHER PEOPLE'S MONEY, WHICH PRESUMABLY WOULD NOT OTHERWISE BE AVAILABLE TO CHILE FOR

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PROJECTS ELSEWHERE OF PERHAPS GREATER ECONOMIC POTENTIAL, SO LONG AS CHILE COULD BE SURE TO RETAIN FULL POLITICAL CONTROL.

6. WE PERCEIVE THAT BASIC DIFFICULTY WITH USING ECONOMIC DEVELOPMENT IN BORDER REGION TO REDUCE PERU/CHILE POLITICAL TENSIONS IS THAT THIS WOULD REQUIRE RATHER STRONG MUTUALITY OF INTEREST IN ECONOMIC COOPERATION. A COMMON CROSS-BORDER RESOURCE ENDOWMENT REQUIRING COOPERATIVE EFFORT FOR OPTIMUM

EXPLOITATION (E.G., COAL DEPOSITS ON ONE SIDE AND IRON ORE ON THE OTHER OR AN IMPORTANT SHKRED WATERSHED) MIGHT CREATE SUCH AN ATMOSPHERE. AS FAR AS WE KNOW, HOWEVER, THERE IS NOTHING IN THE AREA BETWEEN TACNA AND IQUIQUE THAT IS LIKELY TO AROUSE MUCH ENTHUSIASM FOR JOINT EXPLOITATION.

7. IF THIS IS SO, PROPOSAL IS REDUCED TO ESSENTIALLY SEPARATE DEVELOPMENT SCHEMES ON EACH SIDE OF THE BORDER. WHATEVER MERITS IN TERMS OF ECONOMIC DEVELOPMENT, THESE WOULD NOT HAVE DESIRED POLITICAL EFFECT ON PERU/CHILE TENSIONS. MOREOVER, EVEN SEPARATE NATIONAL DEVELOPMENT SCHEMES WOULD BE DIFFICULT TO ACHIEVE IN HARMONY: AS AMBASSADOR STEDMAN NOTED, AN OBVIOUS PROJECT FOR MULTINATIONAL DEVELOPMENT WOULD BE ARICA'S PORT FACILITIES AND ADDITIONAL LINES OF TRANSIT (RAIL, ROAD, AND PIPE) TO BOLIVIA. SUCH DEVELOPMENT WOULD PLEASE BOLIVIA, BUT PERHAPS NOT PERU, SINCE ARICA WOULD THEN BE ABLE TO COMPETE BETTER WITH PERU'S MATARANI. WHILE DEVELOPMENT OF TACNA-AREQUIPA-PUNO TRIANGLE AS PART OF "REGION" MIGHT BENEFIT PERU, WE DOUBT THAT MUCH CORRESPONDING DEVELOPMENT COULD BE OFFERED TO CHILE IN THE VAST DESERT ON ITS SIDE OF FRONTIER. MOREOVER, NEITHER CHILE NOR PERU WOULD WELCOME DEVELOPMENT WHICH WOULD IMPROVE THE OTHER'S MILITARY ACCESS TO THE AREA. IN PRESENT HIGHLY-CHARGED ATMOSPHERE IT IS CONCEIVABLE THAT, IN SHORT-TERM, HAGGLING OVER SCOPE OF PROJECT COULD INCREASE RATHER THAN REDUCE CHILE-PERU TENSIONS.

8. WE BELIEVE GOC WOULD BE WILLING TO DISCUSS A PROPOSAL FOR A REGIONAL DEVELOPMENT PROJECT. IN OUR VIEW PROPOSAL SHOULD HAVE IFI SPONSORSHIP. WE SEE NO POLITICAL SENSITIVITY HERE TO USG INVOLVEMENT PROVIDED IT DOES NOT GIVE GOC IMPRESSION WE ARE TRYING TO SUBSTITUTE LONG-RANGE ECONOMIC DEVELOPMENT PROJECT FOR ARMS THEY NEED NOW AND WE DO NOT PROVIDE, OR TO MOVE TOWARD EVENTUAL TERRITORIAL CHANGES.

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HOWEVER, GIVEN OUR SKEPTICISM THAT BASIS EXISTS FOR REGIONAL DEVELOPMENT PROJECT THAT WOULD REDUCE PERU-CHILE TENSIONS, WE DOUBT USG SHOULD STIMULATE OR SUPPORT AN INITIATIVE ON THE BASIS OF THAT OBJECTIVE.

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